



HONG KONG MONETARY AUTHORITY
香港金融管理局

Our Ref: B1/15C

17 September 2014

The Chief Executive
All Authorized Institutions

Dear Sir / Madam,

Complaints Watch

The Hong Kong Monetary Authority (HKMA) published today the second issue of Complaints Watch.

Complaints Watch is a periodic newsletter to share with the banking industry information on complaints received by the HKMA. It highlights the latest complaint trends, emerging topical issues, and areas that authorized institutions (AIs) may wish to place greater focus on. It forms part of the HKMA's work to promote proper standards of conduct and prudent business practices among AIs.

A copy of Complaints Watch is enclosed for your perusal. You may wish to forward it to members of your institution who have responsibilities for selling of retail and investment products, risk management, compliance and complaints handling for reference.

If there are any questions on the above, please contact Mr Billy Lai on 2516 6266 or Mr Willy Mak on 2516 7479.

Yours faithfully,

Meena Datwani
Director-General (Enforcement)

Encl.



Complaints Watch is published by the Complaints Processing Centre (CPC) of the Hong Kong Monetary Authority (HKMA). It highlights the latest complaint trends, emerging topical issues, and areas that banks may wish to place greater focus on. It forms part of the HKMA's work to promote proper standards of conduct and prudent business practices among banks.

Complaint statistics

May to Aug 2014	General banking services	Conduct-related issues	Total
In progress as of 1 May 2014	236	207	443
Received in the period	401	47	448
Completed in the period	(368)	(81)	(449)
In progress as of 31 Aug 2014	269	173	442

Compared with the first four months in 2014, the number of complaints received between May and August increased by 30 to 448 cases. A significant number of complaints received (41 cases) concerned the closure of foreign exchange margin trading accounts by a few banks (see below). Overall, complaints about insurance products still ranked top, with 61 cases received during the period (40 related to non-linked long-term insurance, 14 related to ILAS and 7 related to general insurance), followed by those relating to denial of banking services (50), fees and charges (44), investment products (41) and service quality (24).

Merchant name display on card statements

CPC has received several complaints concerning possible breaches of the Code of Banking Practice (CoBP) in relation to merchant name display on card statements.

In the UnionPay card statements issued by some banks to cardholders, transactions carried out on the Mainland only showed the name of the merchant as “UnionPay Merchant”, without showing the merchant’s actual name. Such practice is likely to amount to a breach of paragraph 29.4 of the CoBP which states that:

“ The statement should show –

(a) for each transaction occurring since the previous statement –

...

(v) the name of the merchant to whom payment was made, in the case of a debit or credit card.”

CPC understands that the issue appears to be technical in nature and that the relevant banks are addressing it with support from UnionPay. As such, the HKMA has allowed the banks a grace period to rectify the issue and will review the situation again in a few months’ time to determine if there is a need for enforcement action.

Resumed debt collection

CPC has received complaints concerning resumed debt collection efforts by banks after a long period of non-action. It was noted that, in a few cases, the bank resumed its debt collection efforts after they were stopped for over ten years. In some cases, the complainants alleged that they could not recall the details of the debt due to the lapse of time, and that the accrued interests and other fees related to the debts were unreasonable.

Debtors should be responsible for their borrowings, but banks should also exercise a degree of reasonableness in their resumed debt collection efforts. In particular, banks should pay attention to the applicability of any relevant law, such as the Limitation Ordinance, the relevant provisions in the CoBP, and circulars issued by the Hong Kong Association of Banks on debt collection.

Closure of margin trading accounts

Between May and August, CPC received 41 complaints concerning the closure of a type of foreign exchange (FX) margin trading accounts by a few banks. In these cases, customers were informed that their accounts would be terminated and that all outstanding contracts therein, if not transferred to a new type of FX margin trading accounts with changed terms and conditions, would be closed. Many complainants raised concerns about the changed terms and conditions which exposed them to higher risks.

From time to time, banks may need to terminate services or amend their terms and conditions due to business strategy changes. Recent experience suggests that some of these changes may impact a sizable number of customers. Before doing so, banks should assess the impact of their actions on customers and take measures to treat customers fairly and reduce inconvenience where practicable (e.g. providing options to affected customers, enhanced communications with affected customers), in addition to giving them reasonable notice as required by the CoBP. In the above case, after being contacted by CPC, the relevant banks have proactively handled the concerns by enhancing communication with the affected customers and giving options to them on how to handle their existing FX margin trading accounts. Overall, the banks' actions are considered acceptable.

Comments and feedback on *Complaints Watch* are welcome. Please email them to bankcomplaints@hkma.gov.hk.